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FM AMCONSUL SHANGHAI  
TO RUEHC/SECSTATE WASHDC 7778  
INFO RUEHBJ/AMEMBASSY BEIJING 2647  
RUEHCN/AMCONSUL CHENGDU 1861  
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUEHGZ/AMCONSUL GUANGZHOU 0317  
RUEHHK/AMCONSUL HONG KONG 2029  
RUEHML/AMEMBASSY MANILA 0062  
RUEHUL/AMEMBASSY SEOUL 0418  
RUEHGH/AMCONSUL SHANGHAI 8417  
RUEHSH/AMCONSUL SHENYANG 1852  
RUEHGP/AMEMBASSY SINGAPORE 0247  
RUEHIN/AIT TAIPEI 1649  
RUEHKO/AMEMBASSY TOKYO 0612

UNCLAS SECTION 01 OF 02 SHANGHAI 000145

SENSITIVE  
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STATE FOR EAP/CM, DAS DAVIES  
TREASURY FOR OASIA/INA -- DOHNER/HAARSAGER/WINSHIP  
TREASURY FOR IMF -- SOBEL/CUSHMAN  
USDOC FOR ITA DAS KASOFF, MELCHER, MAC/OCEA  
NSC FOR LOI, SHRIER  
STATE PASS CEA FOR BLOCK  
STATE PASS USTR FOR STRATFORD/WINTER/MCCARTIN/KATZ/MAIN  
STATE PASS CFTC FOR OIA/GORLICK

E.O. 12958: N/A

TAGS: CH ECON EFIN ELAB  
SUBJECT: (SBU) U.S.-LISTED EAST CHINA FIRMS SEE SILVER LINING IN ECONOMIC CLOUDS

¶1. (SBU) Summary. A group of New York Stock Exchange-listed Chinese firms based in East China recently expressed a relatively upbeat perspective on prospects for their corporate growth in East China, while most also described the past winter as a hard one. Many of the firms are expecting to boost sales in China, in part because of the Chinese Government's fiscal stimulus plans. End summary.

¶2. (SBU) On March 30, Ronald Kent, Executive Vice President, NYSE Euronext, hosted the Consul General at a lunch with local NYSE-listed companies. Other attendees at the lunch included: Li-Lan Cheng, Chief Financial Officer, E-House China; Eric He, Chief Financial Officer, Giant Interactive Group; J. Matthew Szymanski, Vice President, Corporate Relations, Semiconductor Manufacturing International Corp. (SMIC); Gareth Kung, Senior Director, Accounting Division, SMIC; Thi Yip Kok, Chief Financial Officer, WSP Holdings Limited; Simon Li, Supervisor, CEO Office, Trina Solar Ltd.; Julia Xu, Vice President, Investor Relations, Renesolar Ltd.; and Qian Haibo, Secretary to the Board of Directors, Simcere Pharmaceutical Group.

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Companies Anticipate Improving Sales  
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¶2. (SBU) The lunch attendees all expressed a relatively upbeat perspective on prospects for their corporate growth in East China, while most also described the past winter as a hard one. SMIC's Szymanski said that the chip business is cyclical, so chip producers are used to ups and downs, but that the sharp slowdown in December 2008 was completely unanticipated--"it was as if someone had hit the emergency stop button" on sales, he said. However, sales in January and February were marginally better, month over month, and Szymanski expects March to show further improvement. Szymanski attributed this in part to China's economic stimulus measures, including the national government's Household Appliances to the Countryside (jiaoldian4 xia4xiang1) program. Since everything has a chip in it these

days, said Szymanski, purchases of refrigerators, clothes washers, and other appliances support chip sales. SMIC's Gareth Kung said the deployment of 3G telecommunication technologies will provide a sales boost even bigger than the rural appliances initiative. Looking forward three to five years, smart chips in medical sensors implanted in patients could be a significant new sales stream for SMIC, Kung said.

¶13. (SBU) Consul General Camp polled her table of company representatives, asking if they felt business was looking up, and all agreed. Thi of WSP Holdings--a maker of special oil drill pipes--commented that sales were down 35 percent, but that WSP Holdings is hiring more staff. The company wants to position itself to gain market share once the recovery takes hold in 2010, Thi said. WSP's domestic Chinese sales are about half total sales, said Thi, and the company wants to raise this percentage. Giant Interactive distributes online games, and CFO He said that the company is expanding fast, with most customers at the two ends of the income spectrum. Young college students and corporate executives both like to play online games, said He, with the latter especially interested in wielding authority, and winning, over other players.

¶14. (SBU) Renesolar's Xu said that Beijing's announcement on March 26 of a subsidy for users of solar electricity generation panels is boosting her company's sales prospects. (Note: According to press accounts, the Ministry of Finance will provide a subsidy of RMB20, or approximately US\$3, per installed watt of capacity in an array totaling 50 kilowatts or greater. End note.) Xu said stock valuations for Chinese solar-power related companies had immediately soared on the news, and that she had expected them to fall back, but investors were still

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holding onto them.

¶15. (SBU) Simcere's Qian was upbeat about the company's near-term prospects, explaining that the pharmaceutical industry in China has been the sector least affected by the global economic slowdown, since people still get sick and need medical treatment. Simcere employs 2,000 persons in Nanjing, and funds laboratories in the Los Angeles area as well as at Beijing's Tsinghua University, which is a big source for new hires. Simcere holds a patent on an anti-cancer drug and has many other drugs in its development pipeline, said Qian. It is establishing an office in the New York City area and is eager to work with major pharmaceutical companies.

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Comment

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¶16. (SBU) The companies participating in the lunch are not representative of the range of industries in East China, being new technology-related companies successful enough to list on the New York Stock Exchange. Therefore, their upbeat assessment of short-term sales growth prospects cannot be generalized to all East China. On the other hand, they hail from several areas in the Shanghai consular district--including Changzhou and Nanjing of Jiangsu Province and Jiashan of Zhejiang Province, in addition to Shanghai--providing a sense of the bright spots among East China industries.

CAMP